

## AMENDMENTS TO THE CLAIMS

This listing of claims will replace all prior versions, and listings, of claims in the application:

1. (Currently Amended) A hedge accounting method implemented by a programmed computer system for reducing periodic earnings volatility associated with a hedging transaction, the method comprising:

processing data and instructions on the computer to account for a financial exposure of an associated hedged itemhedging instrument by designating for accounting purposes a portion of the value of the financial exposure as being hedged by the hedging instrument, the designated portion being determined based on processing of data representing a price sensitivity of the financial exposure with respect to changes in market value of an underlying instrumenthedged item; and

in each of a plurality of sequential periods, processing data on the computer to compute a redesignation for accounting purposes of the portion of the financial exposure based on changed price sensitivity of the hedging instrument, to reduce periodic earnings volatility associated with a hedging transaction.

2. (Original) The method of claim 1 wherein the hedging instrument comprises an instrument selected from the group consisting of a put option, a call option, and a derivative.

3. (Original) The method of claim 1 wherein accounting comprises accounting in accordance with Financial Standards Accounting Board Statement Number 133.

4. (Currently Amended) The method of claim 1 wherein:

the financial exposure is associated with changes in market price of the underlying instrument hedged item; and

the hedging instrument is an option to exchange a first amount of the underlying instrument hedged item at a first price on a maturity date.

5. (Original) The method of claim 4 wherein the first amount is substantially equal to a total value of the financial exposure.

6. (Original) The method of claim 4 wherein the hedged item is an instrument selected from the group consisting of a currency, a commodity and an interest rate

7. (Previously Presented) The method of claim 1 further comprising:

for each of the plurality of sequential periods, processing data and instructions on the computer system to compute a change in the value of the designated exposure in each one of said periods and a change in value of the hedging instrument during corresponding ones of the periods.

8. (Original) The method of claim 1 wherein:

the price sensitivity comprises a delta value;

the financial exposure is associated with an anticipated exchange of an amount of a foreign currency at a future date; and

the hedging instrument comprises an option for a future exchange of the amount of the foreign currency.

9. (Original) The method of claim 8 wherein the future exchange comprises an exchange selected from the group consisting of a put option and a call option.

10. (Currently Amended) A method implemented by a programmed computer system for reducing periodic earnings volatility associated with accounting for a hedging transaction, the method comprising:

executing a computer program module configured to receive data and process computer code instructions to account for a financial exposure of an associated hedging instrument, the hedging instrument comprising a first and a second part, said first part comprising a first sub-portion and a second sub-portion, ~~and wherein changes in the value of the first part substantially offset, at least in part,~~ changes in value of the financial exposure;

executing a computer program module configured to receive data and process computer code instructions to (i) determine ~~relative sizes~~ a size of the first sub-portion relative to a size of the ~~and~~ second sub-portions such that the second sub-portion offsets the delta of the second part and (ii) effect accounting designations whereby the first sub-portion is designated as a hedge of at least a portion of the financial exposure and the second sub portion is not designated as a hedge of the financial exposure; and

executing a computer program module configured to receive data and process computer code instructions to determine, in each of a plurality of sequential periods, a redesignation for accounting purposes of ~~relative~~ the sizes of the first sub-portion designated as a hedge of at least a portion of the financial exposure ~~and~~ relative to the size of the second sub-portion that is not designated as a hedge of the financial exposure such that the re-designated second sub-portion continues to substantially offset the delta of the second part, to reduce periodic earnings volatility associated with accounting for a hedging transaction.

11. (Previously Presented)                   The method of claim 10 wherein:

the first part comprises an effective part; and

the second part comprises a residue part.

12. (Currently Amended)                   A method of accounting for a hedged exposure, the method comprising:

procuring a hedging instrument to hedge a total exposure value of a financial instrument; and

on a computer system and prior to each of a series of sequential time periods, processing data and program instructions to cause the computer system to:

calculate a designated portion of the total exposure value based on a current sensitivity of a price of the hedging instrument and the value of the exposure, and

account for the hedging instrument as a hedge on the designated portion of the total exposure value; and

on the computer system and subsequent to an end of each time period, processing data and program instructions to cause the computer system to:

determine a change in the market value of the hedging instrument over a corresponding time period,

determine a change in the market value of the designated exposure over the corresponding time period, and

account for said change in market value of the hedging instrument offsetting said change in market value of the designated exposure as other than earnings, to reduce periodic earnings volatility associated with accounting for a hedging transaction.

13. (Original)            The method of claim 12 wherein the total exposure value of a financial instrument comprises an anticipated receipt of a value of a currency and the hedging instrument comprises an option for a sale of the value of the currency.

14. (Currently Amended)            A computer system comprising:

a host computer comprising a processor coupled to a memory comprising instructions to configure the processor to process executable instructions and data to compute a value representing a reduction in earnings volatility in a derivative account pursuant to FAS 133, the instructions further comprising instructions to cause the processor to:

process said instructions to compute data to account for a financial exposure of an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument, the portion being determined based on

processing of data representing a price sensitivity of the hedging instrument with respect to changes in market value of an underlying financial instrument; and

process said instructions such that, in each of a plurality of sequential periods, data is computed to redesignate the portion of the financial exposure based on changed price sensitivity of the hedging instrument, to reduce periodic earnings volatility associated with accounting for a hedging transaction.